

AMENDED IN ASSEMBLY MAY 18, 2004

AMENDED IN ASSEMBLY MAY 4, 2004

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL

No. 2938

Introduced by Assembly Member Plescia

February 20, 2004

An act to amend Section 8880.28 of, and to amend, repeal, and add Section 8880.4 of, the Government Code, relating to the California State Lottery, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 2938, as amended, Plescia. California State Lottery: revenues.

(1) The California State Lottery Act of 1984, an initiative measure, requires that specified percentages of annual revenues from the state lottery be allocated to prizes, public education, and lottery expenses.

This bill would, until 2012, increase the percentage of lottery revenue allocated to prizes from 50% to no more than 62% and would decrease the percentage of revenue allocated to public education from 34% to at least 25%. The bill would also decrease the amount of revenue allocated to the payment of lottery expenses from 16% to 13%. The bill would require the Lottery Commission to guarantee that the contribution to education per year not fall below a specified level.

(2) The California State Lottery Act of 1984 provides that none of its provisions may be changed except to further its purpose by a bill passed by a $2/3$ vote of each house of the Legislature and signed by the Governor.

This bill would declare that its provisions further the purpose of the act.

(3) ~~The California State Lottery Act of 1984 prohibits the use of certain themes in lottery games, as specified.~~

~~This bill would delete the prohibition on the use of roulette, dice, baccarat, blackjack, Lucky 7's, draw poker, and slot machine themes in lottery games.~~

~~(4) This bill would declare that it is to take effect immediately as an urgency statute.~~

Vote: ²/₃. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares that
2 maximizing prize payouts for lottery games furthers the purposes
3 of the California State Lottery Act of 1984. The California State
4 Lottery has demonstrated that increasing the share of sales
5 allocated to prizes increases sales, resulting in increased revenues
6 to education. Other lottery jurisdictions do not specify or limit the
7 amount or percentage of revenues dedicated to expenditure for
8 prizes. Therefore, this bill furthers the purposes of the act by
9 providing greater opportunity to maximize the revenue provided
10 by the California State Lottery to benefit public education.

11 SEC. 2. Section 8880.4 of the Government Code is amended
12 to read:

13 8880.4. The Legislature finds and declares that the purpose of
14 this act, providing additional moneys to benefit public education,
15 can be furthered through maximization of prizes for lottery games.
16 Revenues of the state lottery shall be allocated as follows:

17 (a) Not less than 87 percent of the total annual revenues from
18 the sale of state lottery tickets or shares shall be returned to the
19 public in the form of prizes and net revenues to benefit public
20 education.

21 (1) No more than 62 percent of the total annual revenues shall
22 be returned to the public in the form of prizes. If the amount
23 allocated to prizes in a given year is below 62 percent, the
24 difference in revenue shall be allocated to public education.

25 (2) At least 25 percent of the total annual revenues shall be
26 allocated to the benefit of public education, as specified in Section

1 8880.5. However, for the 1998–99 fiscal year and each fiscal year
2 thereafter, 50 percent of any increase in the amount calculated
3 pursuant to this paragraph from the amount calculated in the
4 1997–98 fiscal year shall be allocated to school districts and
5 community college districts for the purchase of instructional
6 materials, on the basis of an equal amount per unit of average daily
7 attendance, as defined by law, and through a fair and equitable
8 distribution system across grade levels.

9 (3) All unclaimed prize money shall revert to the benefit of
10 public education, as provided for in subdivision (e) of Section
11 8880.32.

12 (4) All of the interest earned upon funds held in the State
13 Lottery Fund shall be allocated to the benefit of public education,
14 as specified in Section 8880.5. This interest is in addition to, and
15 may not be considered as any part of, the 25 percent of the total
16 annual revenues that is required to be allocated for the benefit of
17 public education as specified in paragraph (2).

18 (5) No more than 13 percent of the total annual revenues shall
19 be allocated for payment of expenses of the lottery as described in
20 this chapter. To the extent that expenses of the lottery are less than
21 13 percent of the total annual revenues, any surplus funds also shall
22 be allocated to the benefit of public education, as specified in this
23 section or in Section 8880.5.

24 (b) Funds allocated for the benefit of public education pursuant
25 to subdivision (a) are in addition to other funds appropriated or
26 required under existing constitutional reservations for educational
27 purposes. No program shall have the amount appropriated to
28 support that program reduced as a result of funds allocated
29 pursuant to subdivision (a). Funds allocated for the benefit of
30 public education pursuant to subdivision (a) may not supplant
31 funds committed for child development programs.

32 (c) None of the following shall be considered revenues for the
33 purposes of this section:

34 (1) Revenues recorded as a result of a nonmonetary exchange.
35 “Nonmonetary exchange” means a reciprocal transfer, in
36 compliance with generally accepted accounting principles,
37 between the lottery and another entity that results in the lottery
38 acquiring assets or services and the lottery providing assets or
39 services.

(2) Reimbursements received by the lottery for the cost of goods or services provided by the lottery that are less than or equal to the cost of the same goods or services provided by the lottery.

(d) Reimbursements received in excess of the cost of the same goods and services provided by the lottery, as specified in paragraph (2) of subdivision (c), are not a part of the 25 percent of total annual revenues required to be allocated for the benefit of public education, as specified in paragraph (2) of subdivision (a). However, this amount shall be allocated for the benefit of public education as specified in Section 8880.5.

(e) The commission shall guarantee that at no time shall the contribution to education for a given fiscal year fall below the level allocated to education for the 2002–03 fiscal year. If the contribution falls below the level specified, the deficit shall be funded from the 13 percent of the total annual revenues allocated for the payment of expenses of the lottery, as set forth in paragraph (5) of subdivision (a).

(f) This section shall remain in effect only until January 1, 2012, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2012, deletes or extends that date.

SEC. 3. Section 8880.4 is added to the Government Code, to read:

8880.4. Revenues of the state lottery shall be allocated as follows:

(a) Not less than 84 percent of the total annual revenues from the sale of state lottery tickets or shares shall be returned to the public in the form of prizes and net revenues to benefit public education.

(1) Fifty percent of the total annual revenues shall be returned to the public in the form of prizes as described in this chapter.

(2) At least 34 percent of the total annual revenues shall be allocated to the benefit of public education, as specified in Section 8880.5. However, for the 1998–99 fiscal year and each fiscal year thereafter, 50 percent of any increase in the amount calculated pursuant to this paragraph from the amount calculated in the 1997–98 fiscal year shall be allocated to school districts and community college districts for the purchase of instructional materials, on the basis of an equal amount per unit of average daily attendance, as defined by law, and through a fair and equitable distribution system across grade levels.

(3) All unclaimed prize money shall revert to the benefit of public education, as provided for in subdivision (e) of Section 8880.32.

(4) All of the interest earned upon funds held in the State Lottery Fund shall be allocated to the benefit of public education, as specified in Section 8880.5. This interest is in addition to, and may not be considered as any part of, the 34 percent of the total annual revenues that is required to be allocated for the benefit of public education as specified in paragraph (2).

(5) No more than 16 percent of the total annual revenues shall be allocated for payment of expenses of the lottery as described in this chapter. To the extent that expenses of the lottery are less than 16 percent of the total annual revenues, any surplus funds also shall be allocated to the benefit of public education, as specified in this section or in Section 8880.5.

(b) Funds allocated for the benefit of public education pursuant to subdivision (a) are in addition to other funds appropriated or required under existing constitutional reservations for educational purposes. No program shall have the amount appropriated to support that program reduced as a result of funds allocated pursuant to subdivision (a). Funds allocated for the benefit of public education pursuant to subdivision (a) may not supplant funds committed for child development programs.

(c) None of the following shall be considered revenues for the purposes of this section:

(1) Revenues recorded as a result of a nonmonetary exchange. “Nonmonetary exchange” means a reciprocal transfer, in compliance with generally accepted accounting principles, between the lottery and another entity that results in the lottery acquiring assets or services and the lottery providing assets or services.

(2) Reimbursements received by the lottery for the cost of goods or services provided by the lottery that are less than or equal to the cost of the same goods or services provided by the lottery.

(d) Reimbursements received in excess of the cost of the same goods and services provided by the lottery, as specified in paragraph (2) of subdivision (c), are not a part of the 34 percent of total annual revenues required to be allocated for the benefit of public education, as specified in paragraph (2) of subdivision (a).

1 However, this amount shall be allocated for the benefit of public
2 education as specified in Section 8880.5.

3 (e) This section shall become operative on January 1, 2012.

4 ~~SEC. 4. Section 8880.28 of the Government Code is amended~~
5 ~~to read:~~

6 ~~8880.28. (a) The commission shall promulgate regulations~~
7 ~~specifying the types of lottery games to be conducted by the~~
8 ~~lottery, provided:~~

9 ~~(1) No lottery game may use the theme of dog racing.~~

10 ~~(2) In lottery games utilizing tickets, each ticket in these games~~
11 ~~shall bear a unique number distinguishing it from every other~~
12 ~~ticket in that game; and no name of an elected official shall appear~~
13 ~~on these tickets.~~

14 ~~(3) In games utilizing computer terminals or other devices, no~~
15 ~~coins or currency shall be dispensed as prizes to players from these~~
16 ~~computer terminals or devices.~~

17 ~~(b) Notwithstanding subdivision (a), no changes in the types of~~
18 ~~games or methods of delivery of these games that incorporate~~
19 ~~technologies or mediums that did not exist, were not widely~~
20 ~~available, or were not commercially feasible at the time of the~~
21 ~~enactment of this chapter in 1984 shall be made, unless all of the~~
22 ~~following conditions are met:~~

23 ~~(1) This chapter is amended by statute to expressly authorize~~
24 ~~these changes.~~

25 ~~(2) The act making the amendments contains express~~
26 ~~legislative findings that the amendments are consistent with the~~
27 ~~terms of, and further the purposes of, this chapter.~~

28 ~~(3) The amendments comport with applicable state and federal~~
29 ~~law.~~

30 ~~(c) For purposes of this section, a change in the method of~~
31 ~~delivery means a material change in the way a consumer directly~~
32 ~~interacts with the game.~~

33 ~~(d) Subdivision (b) does not apply to technological changes~~
34 ~~implemented prior to October 11, 1993.~~

35 ~~(e) This section does not limit any internal technological~~
36 ~~changes made to the equipment or components utilized by the~~
37 ~~lottery.~~

38 ~~SEC. 5.—~~

39 ~~SEC. 4. The Legislature finds and declares that this act~~
40 ~~further the purpose of the California State Lottery Act of 1984~~

1 enacted by Proposition 37 at the November 6, 1984, general
2 election.

3 ~~SEC. 6.—~~

4 *SEC. 5.* This act is an urgency statute necessary for the
5 immediate preservation of the public peace, health, or safety
6 within the meaning of Article IV of the Constitution and shall go
7 into immediate effect. The facts constituting the necessity are:

8 In order to offset the cuts made to education in the Budget Act
9 of 2003 and the proposed cuts in the Budget Act of 2004, it is
10 necessary that this act take effect immediately.

